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No. 86-1941

In the Supreme Court of the United States

OCTOBER TERM, 1987

CARDINAL INDUSTRIES, INC., PETITIONER

v.

RAYMOND C. KING and MICHAEL H. PATTERSON,
RESPONDENTS

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Eleventh Circuit

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REPLY BRIEF FOR THE PETITIONER

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We showed in the Petition that the question whether the states are immune under the Eleventh Amendment from suits for copyright infringement is an important issue that has divided the lower courts. As a recent commentator has observed: "State institutions and their local instrumentalities are prodigious users of copyrighted works," and the "current proliferation of copyright infringement suits against states requires timely resolution of the immunity issue." Note, *Copyright Infringement and the Eleventh Amendment*, 40 Vand. L. Rev. 225, 229, 261 (1987).

The Brief in Opposition does not seriously dispute these contentions. Respondents do not suggest that the Eleventh Amendment issue is an insubstantial one, nor do they make any effort to explain why Congress would have

wanted to exempt state officials from the comprehensive regulation of copyrighted materials imposed by the Copyright Act of 1976. Instead, respondents argue that the immunity issue is not properly presented here because it was not the basis for the decisions below and because petitioner has not sought review of the finding that *other* defendants did not engage in copyright infringement. These arguments are specious.

1. Respondents are plainly wrong in asserting (Br. in Opp. 2-4) that the Eleventh Amendment issue is "moot" because Cardinal did not seek review of the decision in favor of the APA defendants.[1] As we noted in the Petition (at 22 n.7), Cardinal's infringement suit against respondents would not involve the same issues or the same proof as its suit against APA. Accordingly, the fact that Cardinal was unable to show that the APA defendants infringed its copyrights does not mean that it could not, as a matter of law, prove infringement on the part of King and Patterson. At a minimum, Cardinal is entitled to try to convince a finder of fact that King and Patterson misused copyrighted materials. As matters now stand, however, the lower courts' erroneous immunity ruling prevents Cardinal from making any such showing.

This is not the time or the forum in which to engage in an extensive factual presentation of Cardinal's copyright infringement claims against King and Patterson. It is sufficient for present purposes to note a few items of evidence, not part of Cardinal's case against the APA

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[1] To the extent that we can understand respondents' *res judicata* argument, it is frivolous. The district court's grant of summary judgment to King and Patterson on Eleventh Amendment grounds prevented Cardinal from litigating its claim that respondents infringed its copyright. As a result, that issue cannot possibly be *res judicata*. Indeed, if respondents' argument were correct, then *respondents* would have been bound by *res judicata* from litigating the infringement issue if Cardinal had prevailed against the APA defendants.

defendants, that would be available against King and Patterson if this case were to go to trial.

First, it is important to point out that Cardinal owned and asserted three separate copyrights in the district court: the 1971 Copyright, the 1977 Copyright and the 1982 Copyright. See Pet. App. 17a. The district court held only that the derivative 1982 Copyright was invalid.[2] As for the two pre-existing copyrights, the court specifically found that "[t]he defendants do not attack the validity of the copyrights on either the 1971 or the 1977 plans" (*id.* at 17a) and that "[t]here is no dispute as to [Cardinal's] ownership of the 1971 or 1977 plans or those appearing in the brochures" (*id.* at 22a). Thus, despite respondents' reliance on notions of collateral estoppel, this is *not* a case in which a plaintiff whose copyright has been held invalid in an action against one defendant seeks to rely on the same copyright in an action against another defendant. See *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313 (1971).

Second, Cardinal's case against King and Patterson was not simply one of "contributory infringement." Rather, King and Patterson engaged in prohibited activity wholly independent of the APA defendants, and the legal effect of that activity was not litigated in the suit against the APA defendants. For example, Cardinal would be entitled to prove that King and Patterson violated the 1971 Copyright by copying the one-bedroom floor plan, as to which the district court made no findings at all. Similarly, although the court found that PX 49, a studio floor plan, was "substantially similar" to Cardinal's copy-

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[2] A "derivative work" is a "work based upon one or more pre-existing works, such as * * * abridgement * * * or any other form in which a work may be recast, transformed, or adopted." 17 U.S.C. § 101. Thus, a work consisting of editorial revisions, notations, elaborations, or other modifications that as a whole represent an original work of authorship is a "derivative work."

righted studio floor plan and "drew ideas from the basic Cardinal concept" (Pet. App. 22a), it held that the APA defendants had nothing to do with the preparation of PX 49 and that it was instead "a product of the joint efforts of King, Patterson and [Cardinal's employee] Meyer" (*id.* at 23a). Cardinal would be entitled to prove that PX 49 amounted to an infringement by respondents of Cardinal's 1977 Copyright and its right "to prepare derivative works based upon the copyrighted work." 17 U.S.C. § 106(2). See *Imperial Homes* v. *Lamont*, 458 F.2d 895, 898 (5th Cir. 1972).

As the Court explained in *Parklane Hosiery Co., Inc.* v. *Shore*, 439 U.S. 322 (1979), "[c]ollateral estoppel * * * has the dual purpose of protecting litigants from the burden of relitigating *an identical issue* with the same party or his privy and of promoting judicial economy by preventing needless litigation." *Id.* at 326 (emphasis added). The doctrine is simply inapplicable where, as here, the issues to be litigated in the second lawsuit are not identical to those litigated in the first. Once King and Patterson were dismissed from the suit on Eleventh Amendment immunity grounds, Cardinal had no reason to prove, and the district court had no reason to determine, whether respondents' conduct infringed Cardinal's valid copyrights. It is *that* issue that would be litigated on remand if the Eleventh Amendment ruling were reversed.

2. By the same token, there can be no doubt that the court of appeals passed on the Eleventh Amendment issue. The district court's ruling in favor of respondents King and Patterson was based solely on Eleventh Amendment grounds. The court granted respondents' motion for summary judgment on September 6, 1985, on the basis that "King and Patterson are * * * afforded the protection of the Eleventh Amendment." Pet. App. 14a. The case then proceeded to trial against APA and its employees. The district court emphasized this point in its memorandum decision following the trial (*id.* at 17a):

> The action against the two University officials, Raymond King * * * and Michael Patterson, * * * was dismissed on Eleventh Amendment grounds in an Order dated September 6, 1985. Remaining in this action are defendants APA, John A. Anderson, a managerial employee of APA, and Steven D. Lange, a former employee and officer of APA.

Thus, by affirming the judgment for King and Patterson, the court of appeals must have agreed with the district court's construction of the Eleventh Amendment, because there was no other basis on this record for upholding the judgment in respondents' favor.

3. When respondents finally turn to the merits of the Eleventh Amendment issue, they offer precious little in support of their argument that certiorari should be denied. For example, respondents claim that the conflict among the lower courts is "chimerical." Br. in Opp. 7. However, the Ninth Circuit acknowledged the existence of the conflict in *Mills Music, Inc.* v. *State of Arizona*, 591 F.2d 1278, 1286 (9th Cir. 1979), stating that its "holding is contrary to *Withol v. Crow*, 309 F.2d 777 (8th Cir. 1962)." Since then, the conflict has been noted by the lower courts, see, *e.g.*, *Johnson* v. *University of Virginia*, 606 F. Supp. 321, 322-323 (W.D. Va. 1985), and by the commentators. See, *e.g.*, 3 Nimmer on Copyright § 12.01[E], at 12-21 (1986); Note, 40 Vand. L. Rev. at 230; Note, *The Applicability of Eleventh Amendment Immunity Under the Copyright Acts of 1909 and 1976*, 36 Am. U. L. Rev. 163, 183 (1986). It is hardly "chimerical."[3]

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[3] Respondents' ostrich-like approach to the conflict among the lower courts is based on their assumption that the courts holding that the states are not immune from suit for copyright infringement would change their minds in view of the "clear statement" rule of *Atascadero State Hospital* v. *Scanlon*, 473 U.S. 234 (1985). See Br. in Opp. 9. But, as this Court itself noted in *Atascadero*, the "clear statement" and "unequivocal expression" rule derives from *Edelman* v. *Jordan*, 415 U.S. 651, 673 (1974), which predates

Nor do respondents offer any argument, based on the language and structure of the Copyright Act, to defend their assertion that Congress intended to exclude the states from the class of defendants covered by the Act. Respondents attack our reliance on the use of the word "anyone" in 17 U.S.C. § 501, as if that were the sole basis on which to conclude that the states may not make authorized use of copyrighted works. See Br. in Opp. 7, 10. Respondents studiously ignore the fact that the Act contains a number of other provisions that would make no sense if states were not within the statutory coverage. Thus, the Act exempts "the importation of copies * * * under the authority or for the use of * * * any State or political subdivision of a State." 17 U.S.C. §§ 601(a)(3) and 602(a)(1). See also Note, 40 Vand. L. Rev. at 260-261 & n.275. This evidence leads to but one conclusion: Congress obviously intended that states would be immune from copyright infringement only when it provided a specific statutory exemption. There is "no room for any other reasonable construction * * *." *Atascadero*, 473 U.S. at 240 (quoting *Edelman*, 415 U.S. at 673).[4]

Even more remarkable is respondents' failure to present *any* explanation of why it would be rational for Congress to have allowed states—and states alone—to

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Mills Music. Indeed, we note that several Justices have recently questioned whether the Eleventh Amendment was even intended to apply to suits against states based on statutes such as the Copyright Act. See *Welch* v. *Texas Department of Highways and Public Transportation*, No. 85-1716 (June 25, 1987), slip op. 1 (Scalia, J., concurring in part); slip op. 1 (Brennan, J., dissenting).

[4] Respondents also assert (Br. in Opp. 9) that "*Atascadero* holds that Congress can only unilaterally abrogate the Eleventh Amendment when acting pursuant to § 5 of the Fourteenth Amendment." *Atascadero* holds no such thing. To the contrary, the Court has repeatedly assumed, without deciding, "that the authority of Congress to subject unconsenting States to suit in federal court is *not* confined to § 5 of the Fourteenth Amendment." *Welch* v. *Texas Department of Highways and Public Transportation*, No. 85-1716 (June 25, 1987), slip op. 6 (emphasis added).

engage in copyright infringement. The reason for respondents' awkward silence, of course, is that there is *no* plausible explanation for that result. Nor is there any logical reason why Congress would have intended to prohibit the states from infringing copyrighted materials and yet not provide a forum in which states could be sued when they infringed a copyright. Given Congress' decision to preempt all state copyright law (see 17 U.S.C. § 301) and to centralize all copyright litigation in federal court (see 28 U.S.C. § 1388(a)), however, that would be the situation if Congress were held to have included states within the Act (as seems clear from its language, structure and purpose) but not to have abrogated their Eleventh Amendment immunity.

Finally, respondents make a half-hearted effort to defend (Br. in Opp. 10-11) the district court's ruling that the Eleventh Amendment bars injunctive relief against state officials. That ruling, which is at odds with the rationale of *Ex Parte Young*, 209 U.S. 123 (1908), is contrary to the decision of every other court that has addressed the issue. See Pet. 17-20; *BV Engineering* v. *University of California, Los Angeles*, 657 F. Supp. 1246, 1250-1251 n.2 (C.D. Cal. 1987). None of respondents' reasons for disregarding this authority makes any sense.

Thus, respondents argue (Br. in Opp. 10) that the State is the "real party in interest." But the whole theory of *Ex Parte Young* and its progeny is that a state may be enjoined from violating federally-guaranteed rights through the medium of a suit against an individual officer acting in the name of and pursuant to the powers of the state. See *Pennhurst State School & Hospital* v. *Halderman*, 465 U.S. 89, 105 (1984).[5] In other

[5] Respondents' excerpt (Br. in Opp. 10) from *Pennhurst* stops short of quoting the very next sentence in the Court's opinion, which states that the "general rule" barring suits against state officials is subject to the "important exception" recognized in *Ex Parte Young*. 465 U.S. at 102.

words, an injunction against a state officer under *Ex Parte Young* is supposed to restrain the state; that the injunction will prevent the state from carrying out its illegal policies is a reason to grant, rather than to refuse, relief.

Respondents are wrong as well in suggesting that an injunction was unnecessary here because there was no continuing violation of federal law. State officials are continuing to make use of Cardinal's copyrighted architectural plans without consent of the copyright owner. See 17 U.S.C. § 502(a). The district court, of course, never offered this ground as a reason for refusing injunctive relief.

Respondents also parrot the district court's statement that King and Patterson "were, at all times, acting within their scope of employment." Br. in Opp. 11; see Pet. App. 12a. Respondents do not bother to answer our argument (Pet. 21) that this factor—which is present in every "individual capacity" suit against a state official—has no relevance to the question whether they were entitled to Eleventh Amendment immunity. See Pet. 21. The defendants in *Kentucky* v. *Graham*, 473 U.S. 159 (1985), for example, were sued for actions that surely were taken within the scope of their employment. This Court nonetheless held that, because the defendants were sued in their individual capacity, they could not claim immunities, such as the Eleventh Amendment, that belong only to the sovereign. Respondents do not explain why a different result is warranted here.

For the reasons stated above and in the Petition, it is respectfully submitted that the petition for a writ of certiorari should be granted.

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